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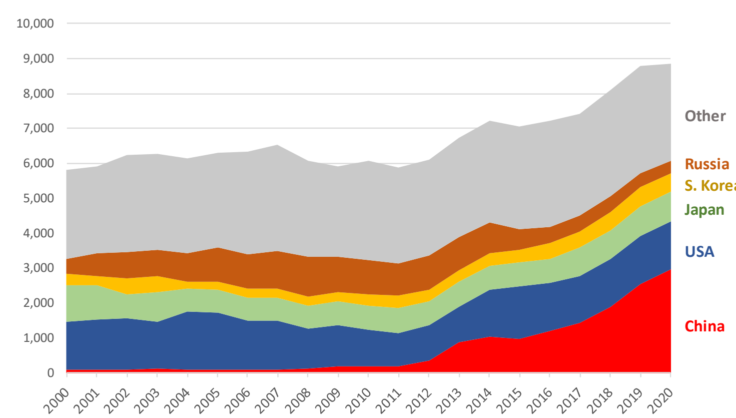
It is no surprise to readers of this report that **China is today the worlds largest beef buyer**. This is a topic that we have covered before, mostly in the broader context of global beef demand. In previous years, non tariff barriers limited the entry of US beef into the Chinese market. That changed last year, however, as the signing of the Phase I deal with China and **changes in Chinese import policies opened the door more widely for US beef in that market**. While the outbreak of COVID-19 earlier this year negatively impacted demand, the situation has changed dramatically in the last three months. The latest US official trade statistics are for the month of August and they show total US beef exports for the month were 267.7 million pounds (carcass wt, basis), 6.3 million pounds or 2.4% higher than the previous year. This was the first y/y increase in US beef exports since March. **US beef exports to China in August were 10.6 million pounds, almost 8 million pounds higher than the previous year**. Even as the monthly volume of exports to China is still smaller than in other key markets such as Japan (70 mil) or South Korea (75 mil), **the growth in exports to China helped offset declines in a number of other markets**. Since August US beef exports to China have continued to increase and **the pace of sales has accelerated**. Weekly export shipments in September were up 72% compared to what they were in August. The pace of sales has increased even more rapidly. In the last four weeks, US beef sales to China have averaged near 3,400 MT/week compared to around 1,645 MT/week in August and 1,000 MT/week during the same time last year. Currently **outstanding export sales** (i.e. product that has been sold but not yet delivered) **to China are 22,339 MT, the fourth highest market**. Combined outstanding sales to China and Hong Kong are near the same as outstanding sales to combined sales to Japan and South Korea.

According to the US Meat Export Federation (USMEF), which is directly involved in supporting US beef trade with China, beef demand in the Chinese market is quickly recovering. They note that demand for US beef is not simply confined to foodservice but some Chinese importers are involved in bringing US beef to retail establishments as well. During the summer USMEF noted BBQ promotions that capitalized on seasonal demand. With the arrival of cooler weather, Chinese consumers are gravitating towards hotpot restaurants. Demand at such establishments has accelerated now that COVID-19 has been controlled. As a country report from USMEF notes, “there has been a rebound in hotpot consumption, some places seeing long queues of people waiting for seats at restaurants.”

While beef demand in China has rebounded, **supply availability has become more limited, especially supply of higher quality, grain fed product**. Chinese beef imports from Australia in August were down almost 40% and they will be down by more than 50% in September and October. China beef imports from Brazil and Argentina continue to expand and by our estimates **China and Hong Kong now account for over 60% of all Brazilian beef exports**. Getting a bigger share becomes increasingly difficult as Chinese buyers need to outbid others that rely on Brazilian product. Already China buys over 70% of Argentinean beef while imports from Uruguay are down because slaughter is down in that market. US beef suppliers are starting from a very small base and considering the ever expanding demand in the Chinese market there are significant opportunities to expand in the top global beef buying country in the world. Initially our assumption was that China was buying mostly inexpensive chuck and round cuts given the relatively higher price of cattle/beef in the US. However, in discussions with packers we are told that Chinese buyers are interested in a variety of products, including middle meats. Indeed, **the limiting factor at this time is access to NHTC cattle (hormone free)**. According to USDA, current average NHTC premium is near $22/cwt.

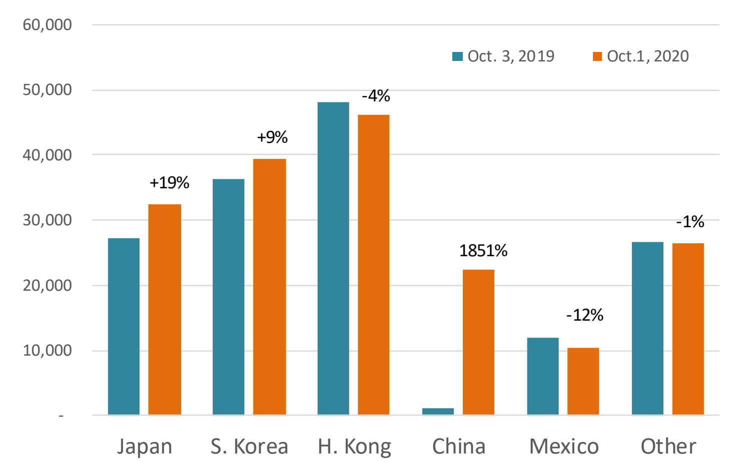
Main Beef Importing Countries in Last 20 Years. '000 MT, Carcass Wt. Basis

Source: USDA-FAS. Analysis by Steiner Consulting



USA Outstanding Beef Export Sales for 2020 & 2021

Source: USDA-FAS. Analysis by Steiner Consulting



2020 Market Share of Imported Beef Business in China. Jan-Aug Period

Data Source: China Customs Administration. Analysis by Steiner Consulting